

Message Text

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64

ACTION EUR-25

INFO OCT-01 AF-10 ARA-16 EA-11 NEA-10 IO-14 ISO-00 SSO-00

NSCE-00 USIE-00 INRE-00 EURE-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03

LAB-06 NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02

SS-20 STR-08 TAR-02 TRSE-00 PRS-01 SPC-03 OMB-01

DRC-01 /225 W

----- 097740

O R 141935Z JAN 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 6247

INFO AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRUSSELS UNN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION GENEVA

USMISSION OECD PARIS UNN

AMEMBASSY BRASILIA

AMEMBASSY CANBERRA

AMEMBASSY KUALA LUMPUR

AMEMBASSY NEW DELHI

AMEMBASSY PRETORIA

AMEMBASSY TOKYO

AMEMBASSY OTTAWA

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PASS AGRICULTURE

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BONN: PASS AMBASSADOR MALMGREN AT OPENING OF BUSINESS

E.O.11652: N/A

TAGS: GATT, US, EC

SUBJECT: GATT XXIV:6: RENEGOTIATIONS WITH THE EC

REF: STATE 003076

1. SUMMARY: AMBASSADOR HARALD MALMGREN, ACCOMPANIED BY AMBASSADOR GREENWALD AND BY STR AND MISSION OFFICERS, TRANSMITTED TO THE EC COMMISSION COPIES OF THE U.S. AIDE MEMOIRE AND CONVEYED THE HIGH-LEVEL VIEWS CONTAINED IN THE REFTEL TO COMMISSIONER SOAMES, DEPUTY DIRECTOR GENERAL HIJZEN AND OTHER OFFICIALS. SOAMES WAS DISMAYED OVER THE SIZE OF THE US REQUEST LIST. HIJZEN AGREED TO RECOMMENCE NEGOTIATIONS IN GENEVA, BUT, IN VIEW OF THE WIDE GULF BETWEEN THE PARTIES, HE DID NOT KNOW ON WHAT BASIS NEGOTIATIONS COULD MOVE AHEAD. END SUMMARY.

2. ON JANUARY 14, AMBASSADOR HARALD MALMGREN, ACCOMPANIED BY MISSION OFFICERS, CONVEYED TO EC DEPUTY DIRECTOR GENERAL HIJZEN COPIES OF THE U.S. AIDE MEMOIRE CONTAINED IN THE REFTEL. HE ALSO SET FORTH THE HIGH-LEVEL VIEWS CONTAINED IN PARAGRAPH 4. SUBSEQUENTLY, HE AND AMBASSADOR GREENWALD APOKE WITH COMMISSION VICE PRESIDENT SOAMES, STRESSING THE POLITICAL PROBLEM INVOLVED IN AN INSUFFICIENT EC OFFER.

3. HIJZEN SUGGESTED RECOMMENCEMENT OF NEGOTIATIONS PROMPTLY IN GENEVA. HOWEVER, THE COMMUNITY DID NOT CONSIDER THAT THE U.S. HAD EVER FURNISHED PROOF OF A NET DISADVANTAGE TO THE US FROM EC ENLARGEMENT. BECAUSE OF THE AVERAGE REDUCTION OF U.K. DUTIES AS A RESULT OF ENTRY, THE EC HAD NOT BELIEVED FROM THE BEGINNING THAT IT OWED THE U.S. ANY FURTHER CONCESSIONS. ITS SUPPLEMENTAL OFFER CONSTITUTED AN EVEN FURTHER IMPROVEMENT IN THE EC TREATMENT OF U.S. GOODS. HIJZEN COULD NOT SEE HOW THE COMMUNITY COULD AGREE TO THE CONCESSIONS REQUESTED BY THE US. AMBASSADOR MALMGREN POINTED OUT THAT THE US DISAGREES WITH THE EC'S QUANTITATIVE AND QUALITATIVE ANALYSES OF THE RESULTS OF ENLARGEMENT AS WELL AS ITS INTERPRETATION LIMITED OFFICIAL USE

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OF THE APPROPRIATE GATT PROCEDURES.

4. HIJZEN STATED THAT THE COMMISSION WOULD STUDY THE US AIDE MEMOIRE AND WOULD CIRCULATE IT TO THE MEMBER STATES. HIJZEN AND MALMGREN AGREED TO AVOID ENGAGING IN A PRESS DEBATE ON THIS ISSUE. THEY AGREED THAT EACH WOULD, WHEN QUESTIONED, SIMPLY STATE IN LOW KEY THAT MALMGREN HAD VISITED BRUSSELS AND WOULD VISIT

MEMBERS STATE CAPITALS IN AN EFFORT TO MAKE PROGRESS IN
SETTLING THE PROBLEMS WHICH REMAINED IN THE XXIV:6
NEGOTIATIONS.

5. SOAMES ALSO WAS VERY PESSIMISTIC ABOUT BEING ABLE
TO MEET THE US REQUESTS, PARTICULARLY AFTER THE PAINFUL
PROCESS OF ARRIVING AT THE EC'S SUPPLEMENTAL OFFER. HE
WAS SORRY THE US GOVERNMENT COULD NOT ACCEPT THE
EC PROPOSAL AND GET ON WITH MORE IMPORTAANT ISSUES.

6. IN VIEW OF THE RECENT IMPROVEMENT IN THE US BALANCE
OF PAYMENTS, SOAMES BELIEVED IT WAS UNREASONABLE FOR THE
US TO REQUEST IMPROVEMENTS IN THE SUPPLEMENTAL OFFER.
HE BELIEVED THAT THERE WAS A STRONG POSSIBILITY THAT
MEMBER STATES WOULD CONSIDER THE SIZE OF THE
US LIST SO UNREASONABLE THEY WOULD REFUSE TO
CONSIDER NEGOTIATIONS. AMBASSADOR GREENWALD, IN
EXPLAINING THE LOGIC OF THE US POSITION, POINTED OUT
THAT THIS WAS A GATT QUESTION, NOT A BALANCE OF
PAYMENTS ONE. MALMGREN REFERRED TO THE PHRASE IN
THE US AIDE MEMOIRE THAT THE LIST "IS PRESENTED AS A
BASIS FOR DISCUSSION". HE ALSO POINTED OUT THERE WAS
SOME FLEXIBILITY IN THE LIST AND THAT THE MORE IMPORTANT
ITEMS WERE CHOSEN IN SUCH A WAY AS TO AVOID ECONOMIC
DISLOCATIONS FOR THE EC INDUSTRIES OR INTERESTS IN-
VOLVED.

7. MALMGREN STRESSED TO SOAMES AND HIJZEN THE NECESSITY
FOR RAPID EC ACTION IN VIEW OF THE SHORT TIMETABLE.
THE US GOVERNMENT BELIEVES THAT THIS ISSUE SHOULD BE
SETTLED EITHER BY A CLEAR AGREEMENT OR A CLEAR DISAGREEMENT
VERY EARLY IN THE SPRING. SOAMES STATED THAT THE COMMISSION WOULD
REPORT TO THE COUNCIL AT ITS MARCH MEETING THE REACTIONS OF
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THE VARIOUS NEGOTIATING PARTNERS. THE COUNCIL HAS ONLY ONE MEETING
IN FEBRUARY, AND THAT WOULD BE EARLY FEBRUARY, TOO SOON
FOR SUCH A REVIEW. MALMGREN SAID THAT
IT WOULD BE NECESSARY FOR THE
US AND THE EC TO BE CLEAR WHERE THEY STOOD ON THIS
ISSUE AT LEAST INFORMALLY BEFORE A MARCH COUNCIL
MEETING. GREENWALD

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